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CANADIAN GENERAL INVESTMENTS LIMITED

1975

Annual Report

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CANADIAN GENERAL INVESTMENTS LIMITED

Board of Directors _____

RALPH M. BARFORD	M. C. G. MEIGHEN, O.B.E.
JOHN D. BARRINGTON	T. R. MEIGHEN, Q.C.
ALEX E. BARRON	JOHN C. RYKERT
DAVID L. CAMPBELL	J. ALLYN TAYLOR
DOUGLAS N. KENDALL	DONALD C. WEBSTER
A. BRUCE MATTHEWS, C.B.E., D.S.O.	PATRICK O. G. WRIGHT

Officers _____

M. C. G. MEIGHEN, O.B.E.	- - - - -	<i>Chairman of the Board</i>
ALEX E. BARRON	- - - - -	<i>President</i>
JOHN C. RYKERT	- - - - -	<i>Treasurer</i>
E. LOUISE MORGAN	- - - - -	<i>Secretary</i>
PATRICK O. G. WRIGHT	- - - - -	<i>Assistant Treasurer</i>

Auditors _____

PRICE WATERHOUSE & CO. - - - - - Toronto

Registrar and Transfer Agent _____

THE CANADA TRUST COMPANY - - - - - Toronto

Office of Company _____

110 YONGE STREET, SUITE 1702, M5C 1T4 (Telephone 416-366-2931) - - Toronto

CANADIAN GENERAL INVESTMENTS LIMITED

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1975, consisting of the Consolidated Balance Sheet, and Consolidated Statements of Income, Retained Earnings, Unrealized Gain on Investments and Changes in Net Assets.

The Balance Sheet discloses that the total consolidated assets of the Company as at December 31, 1975 amount to \$117,578,732. From this amount is deducted accrued liability, income taxes payable, minority interest and deferred income taxes which leaves a net value of \$114,152,328. Based on 3,843,764 common shares outstanding as at December 31, 1975, each common share had an apparent equity value of approximately \$29.70. It should be noted that while \$3.3 million in deferred income taxes was deducted from Consolidated Assets in calculating the equity value per share, the \$3.3 million continues to work for the benefit of the shareholders. Such will be the case until future realization of capital gains necessitates part or all of these deferred taxes to be paid to the government.

The Consolidated Statement of Income discloses that your Company, after paying all expenses and providing for the minority interest, had a net income for the year of \$4,666,070. This is equivalent to \$1.21 for each of the outstanding common shares.

During 1975, Shareholders received dividends of \$1.16 per share. These dividends were paid out of the Company's December 31, 1971 surplus accounts and are not subject to income tax in the hands of the shareholder. Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of such shares.

A schedule showing the percentages of the dividends paid out of tax-paid undistributed surplus and 1971 capital surplus is set out below. This information is submitted for the benefit of Canadian Corporations which are shareholders of the Company.

<u>Date</u>	<u>Tax-Paid Undistributed Surplus</u>	<u>1971 Capital Surplus</u>
March 14, 1975 - - - - -	—%	100.00%
June 13 - - - - -	.03	99.97
September 12 - - - - -	.64	99.36
December 15 - - - - -	.17	99.83

Your Directors have decided, for the time being, to continue paying dividends for tax purposes out of the Company's December 31, 1971 surplus accounts. Such a dividend in the amount of \$0.25 per common share, tax-deferred in the hands of the shareholders, has been declared payable March 15, 1976 to shareholders of record February 27, 1976.

The portfolio of investments as at December 31, 1975 is to be found on pages 10 and 11 of this report. A complete list of the securities held by C.G.I. and Third Venture Capital Limited is shown on the last page of this report.

Submitted on behalf of the Board.

M. C. G. McLaughlin

Chairman of the Board

Alex E. Barron

President

TORONTO, January 27, 1976

C A N A D I A N G E N E R A L AND SUBSID

Consolidated Balance Sheet (Note 1)

Assets

Investments at indicated market value (Note 2):

	December 31 1975	1974
Securities having a quoted market value - - - - -	\$110,143,541	\$ 96,740,632
Securities not having a quoted market value - - - - -	7,059,341	2,826,489
	<u>117,202,882</u>	<u>99,567,121</u>

(Cost as at—

December 31, 1975—\$53,696,711

December 31, 1974—\$49,436,284)

Short-term investments at cost plus accrued interest - - - - -	175,420	—
Income taxes recoverable - - - - -	—	15,284
Dividends receivable - - - - -	93,694	—
Cash in bank - - - - -	106,736	1,279,098
	<u>\$117,578,732</u>	<u>\$100,861,503</u>

Liabilities and Shareholders' Equity

Accrued liability - - - - -	\$ 6,450	\$ 1,600
Income taxes payable - - - - -	13,643	—
Minority interest in subsidiary - - - - -	89,005	50,890
Deferred income taxes (Note 4(ii)) - - - - -	3,317,306	—
Shareholders' equity:		
Capital stock—		
Authorized—		
4,000,000 common shares without par value		
Issued and outstanding—		
3,843,764 common shares - - - - -	24,023,525	24,023,525
Unrealized gain on investments - - - - -	60,169,645	50,145,672
Retained earnings - - - - -	29,959,158	26,639,816
	<u>114,152,328</u>	<u>100,809,013</u>
	<u>\$117,578,732</u>	<u>\$100,861,503</u>

APPROVED BY THE BOARD:

M. C. G. MEIGHEN, Director

J. ALLYN TAYLOR, Director

Auditors' Report to the Shareholders of

CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the consolidated balance sheet of Canadian General Investments Limited and its subsidiary as at December 31, 1975 and the consolidated statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1975 and the results of their operations and the changes in their net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Companies as at December 31, 1975.

TORONTO, January 16, 1976.

PRICE WATERHOUSE & Co.
Chartered Accountants

I N V E S T M E N T S L I M I T E D

RY COMPANY

Consolidated Statement of Income

	Year ended December 31	
	1975	1974
Income:		
Dividends - - - - -	\$ 4,875,774	\$ 4,887,706
Interest - - - - -	92,558	181,928
	<u>4,968,332</u>	<u>5,069,634</u>
Expenses:		
Management fees - - - - -	251,928	316,963
Directors' fees (Note 3) - - - - -	11,900	5,000
Miscellaneous - - - - -	38,233	47,870
	<u>302,061</u>	<u>369,833</u>
Income before interest of minority shareholders - - - - -	4,666,271	4,699,801
Interest of minority shareholders - - - - -	201	162
Net income for the year - - - - -	<u>\$ 4,666,070</u>	<u>\$ 4,699,639</u>
Net income for the year per common share - - - - -	<u>\$ 1.21</u>	<u>\$ 1.22</u>

C A N A D I A N G E N E R A L I AND SUBSIDI

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1975	1974
Balance at beginning of year - - - - -	\$26,639,816	\$25,515,892
Add:		
Net income for the year - - - - -	4,666,070	4,699,639
Gain on investments sold or redeemed, less minority interest of \$3,859 and income taxes of \$19,933 (Note 4 (iv)) - - - - -	3,112,038	460,237
	<u>34,417,924</u>	<u>30,675,768</u>
Less: Dividends paid on common shares - - - - -	4,458,766	4,035,952
Balance at end of year - - - - -	<u>\$29,959,158</u>	<u>\$26,639,816</u>
Dividends paid per common share - - - - -	<u>\$ 1.16</u>	<u>\$ 1.05</u>

Consolidated Statement of Unrealized Gain on Investments

	Year ended December 31	
	1975	1974
Increase (decrease) during the year - - - - -	\$13,375,334	\$(33,455,068)
Less:		
Deferred income taxes applicable thereto - - - - -	3,317,306	6,350,500
Interest of minority shareholders - - - - -	34,055	4,094
	<u>3,351,361</u>	<u>6,354,594</u>
	10,023,973	(27,100,474)
Balance at beginning of year - - - - -	<u>50,145,672</u>	<u>77,246,146</u>
Balance at end of year - - - - -	<u>\$60,169,645</u>	<u>\$50,145,672</u>

INVESTMENTS LIMITED COMPANY

Consolidated Statement of Changes in Net Assets

	Year ended December 31	
	1975	1974
Net assets at beginning of year - - - - -	\$100,809,013	\$126,785,563
Add:		
Net income for the year - - - - -	4,666,070	4,699,639
Gain on investments sold or redeemed, less minority interest and income taxes - - - - -	3,112,038	460,237
Increase in unrealized gain on investments - - - - -	10,023,973	—
	<u>118,611,094</u>	<u>131,945,439</u>
Less:		
Decrease in unrealized gain on investments - - - - -	—	27,100,474
Dividends paid - - - - -	4,458,766	4,035,952
	<u>4,458,766</u>	<u>31,136,426</u>
Net assets at end of year - - - - -	<u>\$114,152,328</u>	<u>\$100,809,013</u>
Gain on investments sold or redeemed:		
Cost of investments at beginning of year - - - - -	\$ 49,436,284	\$ 47,381,083
Add: Purchase of investments during year - - - - -	6,268,244	3,751,899
	<u>55,704,528</u>	<u>51,132,982</u>
Less: Cost of investments at end of year - - - - -	53,696,711	49,436,284
Cost of investments sold or redeemed during year - - - - -	2,007,817	1,696,698
Proceeds from sale or redemption of investments during year - - - - -	<u>5,143,647</u>	<u>2,156,935</u>
Gain on investments sold or redeemed before minority interest and income taxes - - - - -	3,135,830	460,237
Provision for income taxes - - - - -	19,933	—
Interest of minority shareholders - - - - -	3,859	—
	<u>23,792</u>	<u>—</u>
Gain on investments sold or redeemed - - - - -	<u>\$ 3,112,038</u>	<u>\$ 460,237</u>
Apparent liquidating value per common share:		
At beginning of year - - - - -	\$ 26.23	\$ 32.98
At end of year - - - - -	<u>\$ 29.70</u>	<u>\$ 26.23</u>

CANADIAN GENERAL INVESTMENTS LIMITED AND SUBSIDIARY COMPANY

Notes to the Consolidated Financial Statements

DECEMBER 31, 1975

1. The consolidated financial statements include the accounts of the Company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.
2. The indicated market values of quoted securities are the result of pricing the Companies' holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.
3. No remuneration is paid by the Company to its "senior officers", as defined by the Business Corporations Act, 1970.
4. Taxation:
 - (i) The Companies do not qualify as "investment corporations" as defined in Section 130 of the Canadian Income Tax Act; accordingly, they are subject to income tax as "public corporations". "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.
 - (ii) Unrealized gain on investments includes approximately \$11,490,000 which has accrued since December 31, 1971. In addition, the parent company has received dividends of \$1,790,380 since December 31, 1971 which were paid out of "tax paid undistributed surplus on hand" and "1971 capital surplus" of the payor corporations and, therefore, must be applied to reduce the adjusted cost base of the investments in the payor corporations resulting in a corresponding increase in the gain which may ultimately be realized on these investments. Provision for deferred income taxes on these unrealized gains, after applying approximately \$68,000 of non-capital losses incurred during the year, has been made in the accounts.
 - (iii) As at December 31, 1975 the parent company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian taxation authorities, to be as follows:

	(a) Tax paid Undistributed surplus (Section 89(1)(k))	(b) 1971 Capital surplus
Balance at beginning of year	\$ —	\$17,888,016
Capital surplus realized on investments sold or redeemed	—	2,761,092
Dividends received	12,025	611,005
Adjustment for prior period	—	(46,935)
Tax-deferred dividends on common shares	(10,519)	(4,448,247)
Balance at end of year	<u>\$ 1,506</u>	<u>\$16,764,931</u>

Dividends paid out of both categories (a) and (b) are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

- (iv) Gains realized on investments sold or redeemed during the year include taxable gains accrued since December 31, 1971. These taxable gains have been partly offset for income tax purposes by expenses of \$142,000 charged in the statement of income. In accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants, income taxes of \$80,500 otherwise payable on the gains should have been charged to retained earnings. This practice has not been followed since it would give an unfair presentation of the net income for the year.

CANADIAN GENERAL INVESTMENTS LIMITED

Summary by Industry

	VALUE AS OF DEC. 31, 1975	PERCENT OF PORTFOLIO
Finance - - - - -	\$ 22,523,125	19.2
Industrial Management - - - - -	16,220,849	13.8
Merchandising - - - - -	13,794,000	11.8
Business Forms - - - - -	13,370,000	11.4
Steel - - - - -	10,915,625	9.3
Investment Trust - - - - -	8,720,500	7.4
Energy - - - - -	6,573,671	5.6
Metals - - - - -	6,556,250	5.6
Beverages - - - - -	5,805,000	5.0
Manufacturing - - - - -	4,127,000	3.5
Communications - - - - -	2,112,000	1.8
Packing - - - - -	2,000,000	1.7
Forest Products - - - - -	1,608,750	1.4
Miscellaneous - - - - -	1,461,770	1.3
Venture Capital - - - - -	941,842	.8
Real Estate - - - - -	472,500	.4
	<hr/>	<hr/>
	\$117,202,882	100.0

CANADIAN GENERAL INVESTMENTS LIMITED

Portfolio of Investments

AS AT DECEMBER 31, 1975

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
	Beverages	5,805,000	5.0		Finance	22,523,125	19.2
215,000	The Seagram Company Limited	5,805,000			(A) BANKS - - - - -	2,280,625	
	Business Forms	13,370,000	11.4	15,000	Bank of Montreal - - - -	240,000	
280,000	Moore Corporation Limited	13,370,000		40,000	Royal Bank of Canada - - -	1,180,000	
	Communications	2,112,000	1.8	45,000	Toronto-Dominion Bank - -	860,625	
9,600	Southam Press Ltd. - - - -	2,112,000			(B) FINANCE COMPANIES -	1,575,000	
	Energy	6,573,671	5.6	350,000	*Avco Corporation - - - -	1,575,000	
	(A) OILS - - - - -	2,775,621			(C) LIFE INSURANCE - -	142,500	
20,000	Hudson Bay Oil & Gas Co. Ltd.	670,000		1,500	London Life Insurance Co. - -	142,500	
45,000	Imperial Oil Ltd. - - - -	1,018,121			(D) TRUST COMPANY - -	18,525,000	
75,000	Shell Canada Ltd. 'A' - - -	1,087,500		760,000	The Huron & Erie Mortgage Corporation - - - - -	18,525,000	
	(B) PIPELINES - - - - -	890,450			Forest Products	1,608,750	1.4
50,000	Interprovincial Pipeline Ltd. -	593,750		90,000	MacMillan, Bloedel Ltd. - -	1,608,750	
27,600	TransCanada PipeLines Ltd. -	296,700			Industrial Management	16,220,849	13.8
	(C) OTHER - - - - -	2,907,600		730,000	Argus Corporation Class 'C' Prefd. - - - -	9,581,250	
6,000	*Halliburton Company - - -	876,000		28,729	Ravelston Corp. Ltd. - - -	2,835,839	
31,300	Kenting Limited - - - -	219,100		380,376	Ravelston Corp. Ltd. Prefd. -	3,803,760	
50,000	Rio Algom Mines Limited -	1,437,500					
50,000	Union Gas Limited - - - -	375,000					

*American Corporations listed
on The New York Stock Exchange.

Note: Argus Corporation holds shares in the following companies: British
Columbia Forest Products, Dominion Stores, Domtar Limited, Hollinger Mines
Massey-Ferguson and Standard Broadcasting Corp. Ltd.

CANADIAN GENERAL INVESTMENTS LIMITED

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
	Investment Trust	8,720,500	7.4		(B) OTHER METALS AND MINERALS		
652,000	Third Canadian General Investment Trust Limited	8,720,500		100,000	Alcan Aluminium Ltd.	3,485,000	
				60,000	International Nickel Co. Canada Ltd.	1,522,500	
	Merchandising	13,794,000	11.8		Packing	2,000,000	1.7
240,000	Canadian Tire Corporation Ltd. 'A' Prefd.	10,980,000		100,000	Canada Packers Limited 'C'	2,000,000	
42,000	Cochrane-Dunlop Hardware Ltd.	294,000			Real Estate	472,500	.4
360,000	Simpsons Limited	2,520,000		35,000	Trizec Corporation Ltd.	472,500	
	Manufacturing	4,127,000	3.5		Steel	10,915,625	9.3
35,000	Canadian General Electric	848,750		225,000	Algoma Steel Corp. Ltd.	5,371,875	
220,500	Hayes Dana Ltd.	1,323,000		100,000	Dominion Foundries & Steel Ltd.	2,262,500	
70,000	Massey Ferguson Ltd.	1,461,250		125,000	Steel Co. of Canada Ltd.	3,281,250	
19,000	Northern Electric Co. Ltd.	494,000			Venture Capital	941,842	.8
					(see p. 12)		
	Metals	6,556,250	5.6		Miscellaneous	1,461,770	1.3
	(A) BASE METALS	3,071,250		80,000	Extendicare Ltd.	384,000	
90,000	Cominco Ltd.	3,071,250		90,000	Scott's Restaurants Ltd.	630,000	
				36,000	D. A. Stuart Oil Co. Ltd.	432,000	
				9,500	Bell Canada Warrants	15,770	

C.G.I. AND THIRD VENTURE CAPITAL LIMITED

Authorized Capital—

10,000 6% non-cumulative, non-voting preference shares with a par value of \$100 each redeemable at the amount paid up thereon.

100,000 common shares without par value.

Issued and outstanding—

5,000 preference shares

100,000 common shares.

As at December 31, 1975 Canadian General Investments Limited held 4,500 preference shares and 90,000 common shares for a total investment of \$540,000. Third Canadian General Investment Trust Limited held 500 preference shares and 10,000 common shares for a total investment of \$60,000. There are no other shareholders.

Portfolio of Investments

AS AT DECEMBER 31, 1975

No. Shares		Class	Total Value
34,000	Applied Digital Data Systems - - - - -	Common	\$454,750
1,000	Gestalt Int'l. Ltd. (previously Hoborough Ltd.) - - - - -	Preferred	3,100
* 20,000	Helix Investments Ltd. - - - - -	Common	20,000
* 19,000	Helix Investments Ltd. - - - - -	Preferred	190,000
*106,855	Hermes Electronics Ltd. - - - - -	Common	119,339
* 2,000	Hermes Electronics Ltd. - - - - -	Preferred	40,000
50,000	Ionarc Smelters Ltd. - - - - -	Common	8,000
25,000	Spar Aerospace Products Ltd. - - - - -	Common	56,250
* 5,000	Venturetek International Limited - - - - -	Common	50,000
	Miscellaneous - - - - -		403
	Sub-total - - - - -		941,842
Cash held for investment - - - - -			32,273
			<u>\$974,115</u>

*Note: Securities not having a quoted market value have been included at values determined by the Directors based principally on the underlying value of the assets represented by these securities.

